HOME INVESTMENT PARTNERSHIPS PROGRAM

2011
Notice of Funding Availability

State of California
Governor Edmund G. Brown, Jr.

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June 1, 2011

NOTICE TO ALL POTENTIAL APPLICANTS
RE: NOTICE OF FUNDING AVAILABILITY

HOME INVESTMENT PARTNERSHIPS PROGRAM – $52 Million

The Department of Housing and Community Development (Department) is pleased to announce a Notice of Funding Availability (NOFA) for the HOME Investment Partnerships Program (HOME). This NOFA is for rental projects, first-time homebuyer (FTHB) projects, and program activities. A minimum of $52 million is available for this NOFA. Additional funding may become available from disencumbrances of existing contracts.

If you have any questions, please contact HOME Program staff at (916) 322-0356.

Sincerely,

Chris Westlake
Deputy Director

NOTICE OF FUNDING AVAILABILITY (NOFA)
HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM
JUNE 1, 2011

Anticipated Funding Level: A minimum of $52 million

I. OVERVIEW

A. Changes from the 2010 NOFA

Largely as a result of stakeholder requests, the following changes were made compared to the 2010 NOFA, as follows. Reference is made to the location in the NOFA where the new provision is fully described (unless the item has been deleted). In addition, the new provision is shown in bold type.

For Projects

- Clarification has been provided that bridge loans are eligible HOME costs. See Section VI (of this NOFA).
- The loan limit for Community Housing Development Organization (CHDO) rental new construction projects using 9% tax credits has increased to $4,500,000. See Section IX.
- An additional Financial Feasibility Self Evaluation form is required for Deep Targeting applications. See Section X.
- Performance penalties will be waived without the need to make a request to the Department for missed HOME performance deadlines as a result of not obtaining tax credits in 2010. See Section XVI.
- The new Income Calculation and Determination Guide for Federal Programs is referenced. See Section XVIII.
- New direction from HUD on site control issues related to the National Environmental Policy Act (NEPA) has been provided. See Section XIX.
- The additional $300,000 for CHDO projects not using HOME as construction financing has been deleted.
- Performance penalties will be offset to the degree there are completed HOME projects in the specified timeframe. See Section XXII.
- Prior to the application deadline, the Department will notify those receiving Capability point deductions for Material Misrepresentation of Fact and one of the two factors for “Noncompliance with Monitoring”. An appeal process will be provided. See Section XXII.

- Within the Capability scoring factor, scoring for late Annual Monitoring Reports, Annual Operating Budgets, and Annual Reports for occupied HOME rental projects will be applied only for the most recent year of reports, not five years as was previously the case. See Section XXII.

- The Department will still require the same Project Readiness items as last year, but will no longer deduct rating points based on the content of those items. HCD will evaluate Project Readiness items to make a feasibility determination on the highest scoring applicants prior to recommending them for funding. See Section XXII.

- Changes in State Objective rating points. See Section XXII.

    - To accomplish all four policy goals, the number of points for each factor has been reduced to 50 points. Last year, when some factors were worth 100 or 150 points, some applicants achieved the maximum 150 points for all State Objectives by only addressing one policy goal.
    - Reduction in available points from 150 to 50 for State Objective rents, and use of published chart to determine the number of points awarded to facilitate applicant self-scoring.
    - Reduction in available points from 100 to 50 for having all other permanent financing. Projects using noncompetitive 4% federal tax credits that need no other financing other than bond proceeds qualify for these points.
    - For the Geographic Diversity factor, reduction of available points from 100 to 50 points, use of published chart to determine the number of points awarded, and different methodology (points awarded for having 0 or 1 affordable housing project in the City or Census Tract for unincorporated areas).
    - Use of published chart to determine the number of points awarded for serving Special Needs populations (same number of points: 50).

- There are new self-scoring forms (one each for Rental New Construction, Rental Rehabilitation, and Homebuyer projects). These forms provide transparency on how project scores are calculated so that applicants can self-score their applications. (See HOME Supplement.)

<u>For Program Activities</u>

- The maximum application amount has been reduced to $700,000. The contract term has been increased to 36 months. See Section IX.
- The language regarding the amount of rehabilitation allowed in conjunction with acquisition activities funded by sources other than HOME has been deleted. The Department's policy on this will be determined after consultation with stakeholders. See Section I.D.

- The Over the Counter NOFA description for Program Activities has been deleted; this NOFA will be published only if necessary.
- Clarification has been provided that customary home purchase closing costs may be paid by loan proceeds with the Loan-to-Value ratio not exceeding 105% of value. See Section VII.

B. The application is due August 16, 2011. The application materials for all activities are available at the state HOME website at www.hcd.ca.gov/fa/home. Please review these documents carefully before submitting an application.

Applicants and other interested parties are encouraged to attend one of the upcoming training workshops scheduled in June (please see the schedule at the end of this NOFA). These workshops will cover HOME requirements and information needed to submit a successful application.

HOME funds are available to eligible local governments (State Recipients) and nonprofit organizations certified with the Department as Community Housing Development Organizations (CHDOs).

Per Section 8212.1 (a), funding made available by this NOFA will be allocated into separate allocations as follows:

- 40% for program activities
- 55% for rental projects
- 5% for first-time homebuyer (FTHB) projects

Per State HOME Regulation Section 8213 (c), in the event there are insufficient funds to fund an applicant's whole program, the applicant may be offered the amount of funds available, provided it is sufficient to complete a portion of the application which, if evaluated separately, would have been awarded funds. If the amount of funds available is not sufficient, the available funds will be allocated to feasible applications in other allocations.

If there is less demand for any of the allocations relative to the minimum amounts available, the remaining funds may be: (i) transferred to another allocation; (ii) made available under a subsequent NOFA; or (iii) a combination of both (i) and (ii). Per the State HOME Regulations, if there is less demand for programs than an amount equal to 40 percent of the total funding made available by this NOFA, some portion of funds would be made available to unfunded program applicants on an over-the-counter (OTC) basis beginning in February 2012. In the unlikely event that this occurs, a separate announcement will be made at that time.

C. <u>Allocation of Funds</u>

In addition to the allocation requirements described in Sections A and B above, the total amount made available under both NOFAs will be allocated pursuant to the state regulations as follows:

- Per Section 92.300(a)(1) of the HOME Final Rule, a minimum of fifteen percent (15 percent) will be reserved for Department-certified CHDOs.
- Per Section 92.201(b) (1) of the HOME Final Rule, a minimum of fifty percent (50 percent) will be reserved for rural areas.

In addition, $4 million of the funds available for rental new construction projects will be made available to augment the funding amounts for rental new construction projects with Deep Targeting. See Section X of the NOFA for more information.

D. Eligible Activities

HOME funds may be used for the following activities.

Rental Projects

- New Construction with or without acquisition
- Rental Rehabilitation with or without acquisition

FTHB Projects

- New construction or acquisition/rehabilitation/conversion to develop homes on a specified site or sites to be sold to first-time homebuyers. The entire HOME investment must be converted to mortgage assistance for the first-time homebuyers when the units are sold to eligible homebuyers.

Program Activities

- FTHB – per Section 8201 (m) of the State Regulations, funds can be used for downpayment assistance and up to $10,000 of rehabilitation assistance per dwelling, or for infill new construction of up to four dwellings on each vacant site. Applicants may propose activities involving more than $10,000 of rehabilitation per dwelling, with the amount over $10,000 provided by other funding sources, without negatively affecting the eligibility of their applications. However, the Department is still evaluating its implementation of Section 8201 (m) regarding the total amount of rehabilitation allowed per dwelling.
- Owner-Occupied Housing Rehabilitation (OOR) Program
- Tenant-Based Rental Assistance (TBRA) Program

For more information on HOME eligible activities, see Section V.

Note: The combination of federal and state HOME regulations applicable to mobile and manufactured housing is very complex. Applicants considering applications for these activities are encouraged to discuss eligibility with HOME staff prior to submitting an application.

E. Funding Announcements and Standard Agreements

The Department will send award letters by December 31, 2011 for successful Program Activity applicants and by January 31, 2012 for successful project applicants. Standard Agreements will follow 45-60 days after the award letter date. Standard Agreements for projects will not be executed until the next State Fiscal Year due to the availability of federal funds. To aid in your planning, updates on planned award and contract status will be provided through the "HCD List" e-mail system. To be added to this list, please click the appropriate HOME Program link at the following link: http://www.hcd.ca.gov/fa/DFA_Subscriber.html

II. REGULATORY AUTHORITY

A. HOME regulations and NOFA suspension/amendment: All applications are governed by the state HOME regulations and the federal Final HOME Rule updated December 22, 2004. If the federal or state statutes or regulations governing the program or its funding are modified by Congress, the Department of Housing and Urban Development (HUD), the State Legislature, or the Department prior to completion of work, the changes may become effective immediately and apply to funded activities. The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify interested parties.

B. This NOFA does not include the text of all applicable regulations that may be important to particular projects. For proper completion of the application, the Department encourages potential applicants to consult the state and federal HOME Program regulations, and other federal cross-cutting regulations (referred to in Subpart H of the federal HOME regulations). Rental project applicants should also consult the state Uniform Multifamily Regulations (UMRs), which apply to all HOME-funded rental projects.

   Several of the terms used in the HOME Program have specific meanings defined by federal and/or state HOME regulations. When reviewing this NOFA and the application forms, carefully review the regulations for definitions and terms. State HOME definitions are found in Section 8201 & 8217 of the state HOME regulations.

   For your convenience, hyperlinks to the HOME regulations and UMRs are provided below.

   State HOME regulations (Revised in 2009) -
   http://www.hcd.ca.gov/fa/home/State_HOME_Regs.pdf**.**

   Uniform Multifamily Regulations -
   http://www.hcd.ca.gov/fa/home/UniformMultifamilyRegsFinal071110.pdf

Federal HOME regulations - http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/finalrule.pdf

HOME staff is available to discuss HOME Program requirements and to provide individual technical assistance to applicants in preparing an application.

III. APPLICATION PROCEDURES, FINAL FILING DEADLINE, AND AWARD ANNOUNCEMENTS

A. **One original application and one complete copy** must be **received** by the Department **no later than 5:00 p.m.** on **August 16, 2011.**

Applicants must submit separate application forms in separate binders for each activity (e.g., Project 1, Project 2); however, program activities can be combined together in one binder as noted below. In addition, rental project applicants must submit one copy of their completed Universal Application Form, HOME Supplement, and all Project Development Plan (PDP) Attachments on a PC-compatible Compact Disc (CD). Please keep the electronic worksheets unprotected so staff can use them to prepare Loan Committee project reports. Please separate all application attachments and major sections of an application binder with tabbed dividers.

Examples:

1. An applicant wishes to submit one application for a rental project and a homebuyer project. The applicant will submit four separate binders and a PC-compatible CD as follows:

    a) One original and one complete copy of the Universal Rental Project Application Form, the HOME Supplement, and all attachments for the rental project, (binders 1 and 2);
    b) One copy of the Universal Application Form, the HOME Supplement, and all Project Development Plan (PDP) Attachments on CD and;
    c) One original and one complete copy of the FTHB Application Part A, Part B, and all attachments for the homebuyer project (binders 3 and 4).

2. An applicant wishes to submit one application for a rental project and FTHB and TBRA program activity funds. The applicant will submit four separate binders and a PC-compatible CD as follows:

    a) One original and one complete copy of the Universal Rental Project Application Form, the HOME Supplement, and all attachments for the rental project, (binders 1 and 2),

b) One copy of the Universal Application Form, the HOME Supplement, and all Project Development Plan (PDP) Attachments on CD; and

c) One original and one complete copy of the Program Activities Application Part A, Part B, and all attachments for the FTHB and TBRA activities (binders 3 and 4). Please Note: separate and complete Part B Application Forms must be submitted for each program activity for which you are applying (e.g. FTHB and TBRA).

Rental new construction project applicants requesting HOME funds for "Deep Targeting" are also required to submit a second set of documents pertaining to their project if it were to receive additional funds for Deep Targeting. (See Section X of the NOFA for more information.)

Applications mailed via the U.S. Postal Service must be received by the HOME Program no later than 5:00 p.m. on August 16, 2011 and must be addressed to:

Department of Housing & Community Development
Division of Financial Assistance
HOME Program
P.O. Box 952054, Suite 390-3
Sacramento, CA 94252-2054

Applications sent using private carriers or delivered in person must be received by the HOME Program no later than 5:00 p.m. on August 16, 2011. If applications are personally delivered, the receptionist will date stamp the application and provide a receipt as proof of delivery. The delivery address is:

Department of Housing & Community Development
Division of Financial Assistance
HOME Program
1800 Third Street, Room 390
Sacramento, CA 95811

Applications that do not meet the filing deadline requirements will not be eligible for funding. Applications must be on the forms provided by the Department and these forms cannot be altered or modified by the Applicant.

B. CHDO Certification

- Normal CHDO Certification Process: Applicants for CHDO certification, (and CHDOs that have a certification that will expire before August 16, 2011), must submit certification documents by June 10, 2011 for new CHDO applications and July 8, 2011 for CHDO recertifications or expansions of service area. All CHDO applicants must complete the CHDO self-certification contained in the application to certify they have either 1) submitted their application for certification by the deadline, or 2) are currently certified and in compliance with certification requirements.

- Annual Recertification for Existing CHDOs. HUD requires, at a minimum, a modified re-certification process each time new CHDO set-aside funding is awarded. If you are an existing CHDO last certified prior to January 1, 2011, please submit the documents set forth in NOFA Appendix G with your HOME application by the application deadline of August 16, 2011.

C. Application form: After the application deadline, HOME staff may contact applicants to ask where in the application specific information is located. In addition, the Department may, in its sole discretion, request an applicant to supply clarifying information provided that such information does not affect the competitive rating and ranking of the application. This clarifying information may be used by the Department to make a determination of whether the project is financially feasible pursuant to Section 8212 (a) (6) (a) and complete pursuant to Section 8211 of the state regulations. No information, whether written or oral, will be accepted if the provision of such information would result in a competitive rating point advantage to the applicant or a competitive rating point disadvantage to other applicants.

D. Rental Project Scoring, Notification, and Appeal Process

Rental Project application scoring will conclude by mid-October. E-mails will be sent to the authorized representative and contact person listed in the application describing the scores and the specific facts upon which those scores were determined. Applicants will have five working days to submit an appeal to the e-mail address provided by the Department. A final determination will be provided within five working days from receipt of the appeal.

E. Program Activity Appeal Process for Missed and Late Reports

Program Activity application scoring for missed and late reports will be completed in early October. E-mails will be sent to the authorized representative and contact person listed in the application describing the scores and the specific facts upon which those scores were determined. Applicants have five working days to submit an appeal to the e-mail address provided by the Department. A final determination will be provided within five working days from receipt of the appeal

F. Department Loan and Grant Committee

HOME rental projects will be reviewed by the Department's Local Assistance Loan and Grant Committee. Only applications with the highest scores will be presented to Loan Committee. All feasible high scoring applications will be submitted for review at the November 2011 Loan Committee meeting. Representatives of the applicant and the developer are encouraged to attend the Loan Committee meeting if their project is recommended for funding. The Loan Committee has occasionally tabled projects if the applicant and developer's representatives are not present to answer the Committee member's questions on the project.

Applicants whose applications are recommended for funding will receive a draft Department project report for their review, (sent to the e-mail addresses provided in the application), approximately one to two weeks prior to the Loan Committee meeting.

Applicants will only be presented to Loan Committee if the Department has determined that the project is financially feasible. The Department reserves the right to request information, in addition to that contained in the application, to make this determination.

Note: applicants must notify the Department of any project changes that occur after the HOME application has been submitted.

The Loan Committee decisions are considered advisory recommendations. The final funding decision will be made by the Department following the Loan Committee meeting, at which time award letters will be distributed. These award letters may specify special conditions to be met prior to issuance of the Standard Agreement. Please make sure that all members of the development team and your consultants are aware of these conditions as soon as possible.

IV. ELIGIBLE APPLICANTS

A. Application will be accepted only from:

- Cities and counties that have not been designated as Participating Jurisdictions by HUD;
- Cities that are not participants in an urban county agreement with a county that is a HUD Participating Jurisdiction;
- Cities and counties that are not participants in a HOME consortium;
- Projects must be located in an eligible city's incorporated area or an eligible county's unincorporated areas; and

B. Eligible Applicants

Eligible jurisdictions for FY 2011 are listed in Appendix A of the NOFA. If the city or county is not listed in Appendix A, but you believe it should be, please submit by July 15, 2011 a copy of the consortium or urban county agreement for your county indicating that your city or county is not a participant for FY 2011 consortium or urban county funding.

Pursuant to State HOME Regulation Section 8217, State Recipients and CHDOs that may be held out from applying in a particular funding round because they have a HOME project that has missed three deadlines, may request that this penalty be waived if it can be demonstrated that one or more missed deadlines were clearly beyond the control of all of the following parties: applicant, developer, owner, managing general partner. Contact State Recipient Projects Manager Ferol Kimble, (916) 327- 8571 or CHDO Manager Laura Bateman, (916) 322-7556 to discuss. In order to receive a decision on your waiver request before the HOME application deadline, it is recommended that you submit your written waiver request by July 29, 2011.

HOME funds may be used to assist Indian tribes consistent with applicable state and federal requirements. However, pursuant to state HOME regulation 8204, only cities, counties, and CHDOs may submit a HOME application. Indian tribes are not eligible applicants.

C. Minimum Expenditure Requirement for Program Activities

Pursuant to State HOME regulation Section 8204(b), applicants with current HOME program activity contracts are eligible to apply for HOME program activity funds only if they have expended, by the application due date of August 16, 2011 at least 50 percent of the total of all program activity funds originally awarded in their current HOME contracts. A current HOME contract is one where the expenditure deadline has not yet occurred by August 16, 2011, i.e. generally a contract numbered, “09” or “10-HOME”. Please note that if an earlier contract has been extended and has not yet reached its amended expenditure deadline, it will count for this 50% rule. Applicants that do not have a current HOME contract, may also apply for HOME program activity funds.

"Expended" funds are the total of all valid draws received at HCD by the application deadline. Additionally, a valid draw is limited to the amount needed for reimbursement of actual expenses for work that has been completed (“work completed”). The definition of "work completed" varies by activity, as follows: for FTHB activities: escrow has closed, for TBRA, the amount expended is the rental assistance amount multiplied by the number of months in the individual tenants’ TBRA rental assistance agreement, and for OOR the amount expended is the amount of construction/rehabilitation payments that were made for work competed and inspected.

D. Over-the Counter (OTC) Program Funds

Note: The OTC funding availability is possible only if the amount requested by all applicants is far lower than historical levels. The Department will notify all parties through the “HCD List” process if there will be an OTC Program funding opportunity.

V. ELIGIBLE ACTIVITIES

A. To be eligible for funding, an application must be for one of the following types of projects and/or programs activities. Rental and homebuyer projects with multiple sites must have common ownership and financing.

Projects

1. Rental New Construction Project – funds provided to develop a specific multifamily project on a specific site by a specific developer. Rental New Construction projects may be with or without acquisition.

2. Rental Rehabilitation with or without acquisition – Funds must be provided to rehabilitate a specific rental project without a transfer of ownership or to both acquire and rehabilitate a specific rental project.

   Per Section 92.205 (a) of the federal HOME regulations "acquisition" is generally thought of as an arms-length transfer of real property between unrelated parties. Therefore, a project is eligible as a "rehabilitation with acquisition project" only if there will be an acquisition of real property, not just a change in partnership interests.

   Projects involving only acquisition (where no rehabilitation is being done) are not eligible.

   Physical Needs Assessment - Pursuant to 24 CFR 92.251, housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, and rehabilitation standards at the time of project completion. Projects involving rehabilitation must do sufficient rehabilitation to ensure the long-term viability of these projects. Pursuant to UMR 8309 (b) (2) the Department will require rental rehabilitation project applicants to submit a reliable physical needs assessment (PNA) as part of the financial feasibility analysis process conducted before the application goes to the Loan and Grant Committee.

   To expedite the review process, applicants are strongly encouraged to prepare and submit the PNA as part of the application. Note: application rating points are awarded for submitting an acceptable PNA because the results of the PNA are critical to evaluating the readiness of the project.

   Rehabilitation Projects where HOME is the Only Source of Financing

   Inspections - In CHDO rehabilitation projects where HOME is the only source of financing, (typically rehabilitation projects with no acquisition involved), the project will be required to hire a third-party construction inspector to perform monthly inspections prior to draw down of HOME funds. State Recipient projects may use the jurisdiction's own staff to perform these inspections .

   Capitalized Operating and Replacement Reserves – Pursuant to Section 92.214 of the federal HOME regulations, HOME dollars cannot be used to pay the initial deposits to the operating and replacement reserves required under UMR Sections 8308 and 8309. Therefore in a project where HOME is the only source of financing, or if other lenders/equity partners will not pay for these costs, they must be paid by the developer.

3. Homebuyer Projects - The development of homes to be sold to first-time homebuyers. HOME funds can be used for:

   a) Construction financing of new construction or acquisition/ rehabilitation/ conversion projects, with 100 percent of the HOME investment rolling over to permanent financing and being used to provide mortgage assistance to first-time homebuyers; or

   b) Homebuyer mortgage assistance only in a project that is being constructed or acquired and rehabilitated with other funds.

4. Program Activities - State Recipients may apply for any number of HOME-eligible program activities set forth below. CHDOs are only eligible to apply for FTHB infill program funds described in paragraph (1) under "FTHB Program" below because that is the only CHDO-eligible activity under HUD HOME requirements. Applicants must submit program guidelines and feasibility information for each activity for which they are requesting funds.

   Eligible program activities are as follows:

   a. FTHB Program: (1) Funds provided to a city or county to provide loans to homebuyers for acquisition and up to $10,000 for rehabilitation of a dwelling that the homebuyer selects from the open market; and/or (2) Funds provided to a HOME-eligible city, county, or CHDO to provide assistance for the new construction of dwellings on scattered sites in an existing built-out neighborhood, with no more than four dwellings on each vacant site. Pursuant to NEPA requirements, an Environmental Assessment (EA) will be required if more than four units, regardless of funding source, are developed within 2000 feet of one another.

      HOME funds may be used to finance the purchase of homes acquired and rehabilitated through the FHA 203(k) program. The Department will continue consultation with stakeholders to best implement the use of HOME funds with the 203(k) program.

      Pursuant to State Regulation Section 8207, the FTHB primary mortgage loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, as established by the 90-day "posted yield" for thirty-year fixed rate loans, as established by Fannie Mae at: http://efanniemae.com/syndicated/documents/mbs/apeprices/archives/cur30.html, plus 100 basis points. See Section XIII for more information regarding FTHB primary loan terms.

      Owner Occupied Rehabilitation (OOR) Program – funds provided to a HOME-eligible city or county to assist owners whose primary residence is in need of repairs, improvements or reconstruction necessary to meet federal, state, or local building codes.

b. Tenant-Based Rental Assistance (TBRA) Program – funds provided to a HOME-eligible city or county to administer a program to provide rent subsidies to eligible households. The minimum term of rental assistance to an eligible household is one year unless the assisted tenant accepts a term of less than one year after being offered a one year lease. TBRA funds may be used to assist tenants to reside in any HOME-eligible jurisdiction within the county where the TBRA funds were awarded. For example, TBRA funds awarded to the City of Winters can also be used for units located in Woodland, West Sacramento, or the unincorporated areas of Yolo County since all of these jurisdictions are State HOME-eligible within Yolo County, but may not be used in Davis, which is not State HOME-eligible.

VI. INELIGIBLE USES OF FUNDS

- **Per the discretion provided by HUD under Section 92.206 (b) of the HOME Final Rule, the Department does not permit the use of HOME funds for refinancing costs so that HOME funds can be used for direct housing production/rehabilitation instead. However, repayment of bridge loans, under certain circumstances, may be eligible. Contact the Department to discuss your situation.**

- As a general rule, with the exception of National Environmental Policy Act (NEPA) environmental review expenses, HOME funds cannot be used for expenses incurred prior to the execution of the state Standard Agreement. However, on a case-by-case basis, HOME Management may permit reimbursement for other expenses incurred after the date of the award letter and prior to the effective date of the Standard Agreement.

- Rental Rehabilitation and/or Acquisition programs are ineligible .

- Projects involving only acquisition are ineligible.

- Pursuant to HOME federal Regulation 92.206 (a) (4), for rental projects, costs associated with the construction or rehabilitation of laundry facilities and other community facilities which are located in separate buildings containing no residential units are ineligible HOME costs, and cannot be paid for with HOME funds.

  Note also, in order for space within residential buildings, such as laundry facilities or a community room, to be paid for with HOME funds that space has to be for the exclusive use of project residents and their guests. It cannot be space available for use by the general public.

- For further ineligible uses of HOME Funds, refer to 24 C.F.R. 92.214 of the federal regulations.

If an application is submitted proposing an ineligible use, only that portion of the application proposing eligible uses will be rated and eligible for funds.

VII. FORMS OF HOME ASSISTANCE

A. HOME Loans: HOME assistance shall be in the form of loans to be repaid to local HOME accounts controlled by State Recipients, qualified CHDOs, or the state's HOME account, except for the uses of funds specifically defined below under HOME grants. Loans provided to homebuyers must meet the requirements set forth in Section XIII. below.

B. HOME Grants: HOME assistance must be provided in the form of a grant for relocation payments, lead-based paint hazard evaluation and reduction activities, and tenant-based rental assistance. HOME assistance may also be used for Activity Delivery Cost grants. Activity Delivery Costs are further defined by the term "related soft costs" in the HOME Final Rule at 92.206(d) except that customary closing costs for home acquisition activities may be charged either as a loan or part of the 6.5% funding for Activity Delivery Costs.

   HOME funds for Activity Delivery Costs must be drawn down at the same time HOME funds for Activity Costs are drawn down. If the activity is not completed and a Project Completion Report for the full amount drawn down is not filed, all HOME funds for that project, including Activity Delivery Costs, must be repaid to the Department. For FTHB projects, special care should be taken in requesting Activity Delivery funds during the construction phase. If the entire amount of the construction loans should inadvertently not roll over into permanent loans, the proportional amount of Activity Delivery Costs must be repaid to the Department. More information on Activity Delivery Costs is set forth in Section XII. below.

C. NEPA Expenses: To encourage early NEPA environmental compliance, HOME funds may be used to reimburse NEPA expenses incurred by a successful applicant prior to the effective date of the Standard Agreement. These expenses must be reasonably necessary for the proposed project and will only be paid when the Standard Agreement is fully executed. NEPA consultants may be chosen using the "small purchase" procurement method, i.e. by use of informal price quotations.

VIII. MINIMUM AND MAXIMUM AMOUNTS OF HOME FUNDS PER PROJECT

The minimum amount of HOME funds that must be invested in a project involving rental or homeownership housing is $1,000 times the number of HOME-assisted units in the project (# of units x $1,000 = minimum amount of HOME funds). **The $1,000 minimum per unit requirement does not apply to Tenant-Based Rental Assistance funds.**

The maximum amount of HOME funds invested in a project shall not exceed the lower of : (1) the per-unit dollar limits (221(d) (3) limits), established by HUD under 24 C.F.R. 92.250; (2) pursuant to 92.205(d), the proportion of HOME-assisted units compared to all units in the project, and the square footage of HOME units compared to all other units in the project; and (3) the total amount of eligible costs necessary, (when combined with other financing and assistance), to accomplish the following:

A. Enable the project as proposed to be developed and to operate in compliance with all HOME requirements, including the subsidy-layering requirement at 92.250. See HUD CPD Notice 98-1 for more information.

B. For rental activities of five or more units, achieve a debt-service coverage ratio in accordance with UMR Section 8310, and adequate cash flow to ensure long-term financial feasibility.

C. FTHB and OOR activities are subject to the Maximum Purchase Price/After Rehabilitation Value Limits under Section 203(b) of the National Housing Act. The current 203(b) limits can be found at: http://www.hcd.ca.gov/fa/home/homelimits.html

   Jurisdictions may request a waiver of their county's 203(b) limits if they believe that these limits do not fairly reflect the cost of available housing in their county and should be increased. Contact the appropriate HOME Representative to request a waiver of your 203(b) limits. Note: If the jurisdiction has already received a 203(b) waiver, the new limit will not appear on our website.

   The total amount of HOME Funds, including Activity Delivery Costs, per project cannot exceed the amount listed in the HUD 221(d)(3) subsidy limits and a subsidy layering review specified in 24 C.F.R. 92.250 of the federal regulations. See http://www.hcd.ca.gov/fa/home/homelimits.html for the current 221(d) (3) limits.

   Pursuant to federal regulations, any one project may receive HOME funds from only one HOME award. This prohibits the combination of awards from a State Recipient and a CHDO on the same project and prevents the combination of awards from more than one HOME NOFA on the same project.

IX. MAXIMUM APPLICATION AMOUNT/COMBINATIONS OF ACTIVITIES

Applicants may submit only one HOME application pursuant to this NOFA. An application may consist of no more than two activities as follows:

- One rental project and one FTHB project; or
- One rental project, and any combination of eligible program activities; or
- One FTHB project and any combination of eligible program activities except for a FTHB program; or

- CHDO applicants that did not receive a 2010 HOME project award may submit an application for two rental projects; however, each rental project must consist of a single site.

Separate application forms must be submitted for each project. Each project will be rated and ranked separately.

No applicant may request project funding for more than two sites. (Program activities are not site-specific; therefore, this limitation does not apply to them.)

The maximum application amount is determined by adding the maximum amounts for each of the activities in the application.

Note also that pursuant to 24 CFR 92.250, before committing funds to a project, the Department must evaluate the project in accordance with the Department's Uniform Multifamily Regulations (UMR) and will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing. All loan amounts will be verified by a subsidy layering analysis, and loan amounts will be reduced if the amount requested exceeds what is needed. Loans are also subject to the federal 221(d) (3) limits. See http://www.hcd.ca.gov/fa/home/homelimits.html.

Note regarding maximum HOME loan amounts and available funds for Administration, CHDO Operations and Activity Delivery Costs, applicable to Rental New Construction, Rental Rehabilitation with or without Acquisition, and Homebuyer projects: the loan limits stated below do not include funds for Administration, CHDO Operations, or Activity Delivery. For example, an applicant may request $3.1 million for a 9 percent tax credit project, i.e. a $3 million loan, and $50,000 for Administration and $50,000 for Activity Delivery (for a State Recipient project applicant). See Sections XI and XII of the NOFA for Administration/CHDO Operations and Activity Delivery amounts.

Individual activity limits are as follows:

Rental New Construction Project Loan Limits

- $3,000,000: State Recipient Projects using 9 percent Low Income Housing Tax Credits.
- **$4,500,000: CHDO Projects using 9 percent Low Income Housing Tax Credits**
- $5,000,000: Projects not using 9 percent Low Income Housing Tax Credits

Prior to the issuance of the award letter, the Department will evaluate the financial feasibility of each project and may, as necessary for project feasibility or to prevent oversubsidizing a project per the UMRs, increase or decrease the HOME loan amount without regard to the limits specified in this section. This paragraph also applies to Rental Rehabilitation with or without Acquisition projects.

The Department is aware that the pay-in yield from tax credit investors may be less than projected; therefore the Department reserves the right, after the issuance of the award letter, to award additional funds as necessary (and as available) to make up for some or all of the resulting loss of net tax credit equity investment. This paragraph also applies to Rental Rehabilitation with or without Acquisition projects.

Deep Targeting:

Rental new construction projects requesting funds for Deep Targeting can request up to an additional $1,000,000 on top of the maximum application amount for their activity shown above.

Per Section 8212.3 (e) of the State HOME Regulations, projects with 9 percent tax credits and rental rehabilitation with or without acquisition projects are not eligible for Deep Targeting funds. See Section X for more information on Deep Targeting.

Rental Rehabilitation with or without Acquisition Loan Limits

- $2,000,000: Projects using 9 percent Low Income Housing Tax Credits, or projects that do not meet the requirements outlined below.

- $4,000,000: Projects that meet both of the following requirements. First, there is no use of 9 percent Low Income Housing Tax Credits. Second, either:

  a) 80 percent of all units in the project will be restricted to tenants with household incomes of less than 50 percent AMI at initial occupancy with rents restricted at no more than the low HOME rent level; or

  b) 80 percent of all units in the project will have project based rental assistance. Tenant-paid rents for these units will be restricted to no more than the Low HOME rent level. If the tenant-paid rents meet this Low HOME rent level due to rental assistance payments, the rental assistance must be renewable. Tenant incomes at initial occupancy, must also be at the 50% income level.

Homebuyer Project Loan Limits

- Up to $80,000 per unit for up to a maximum of $2,000,000 per project

  This per-unit amount is only for the purpose of calculating the maximum amount to be requested. The federal 221(d) (3) and 203(b) limits still apply. All loan amounts will be verified by a subsidy layering analysis, and loan amounts will be reduced if the amount requested exceeds what is needed.

  Combining FTHB Program and Project Funds in a Project - Using HOME homebuyer project funds, HOME homebuyer program funds and/or any

HOME program income in the same homebuyer project (e.g. subdivision) is not permitted without prior written HOME Management authorization.

See Section XIX of the NOFA for information on federal prevailing wage requirements as they pertain to homebuyer projects.

Program Activities Funding Limits

$700,000: HOME-eligible applicants for all program activities (including Administration and Activity Delivery Costs.)

Program Income: Federal HOME regulations require that all Program Income be expended prior to drawing down HOME Funds. Program Income may not be "banked" or set-aside in re-use accounts. This rule applies to all State Recipient HOME applications. Successful applicants may not draw down new HOME funds for project draws if they have Program Income on hand. **State Recipients with Program Income must consider this when deciding how much to request in this funding round.** If a project applicant historically receives a substantial amount of Program Income, the applicant should contact its HOME Representative to discuss ways to use this Program Income in a way that does not impede the ability to draw down funds awarded pursuant to this NOFA.

X. DEEP TARGETING

A total of $4 million is available as part of the rental project allocation to assist rental new construction projects to reduce or eliminate permanent private debt requiring mandatory debt service for the purpose of lowering rents on some or all of the project's units. Eligible applicants may apply for up to an additional $1,000,000 in HOME funds. Eligible projects are rental new construction projects without 9 percent Tax Credits, that set a portion of their units rents at 40 percent of Area Median Income (AMI) or below for 55 years.

Applicants for Deep Targeting funds **must** submit **two** sets of Application documents as set forth in the Deep Targeting Documentation Checklist of the HOME Supplement to the Universal Rental Application. This additional documentation must illustrate any differences in proposed project rent levels, financing commitments, and other financials when funded at the Deep Targeting funding level versus the regular maximum HOME funding level. **The additional documentation must also include another "Financial Feasibility Self Evaluation" form.**

The Department expects to see a reduction in rents, debt service, operating reserve, and private financing commitments as a result of reduced private debt. Except for differences attributable to reduced private debt, there must be no difference in Total Development Cost, or total operating expenses and required reserve deposits under the regular HOME funding scenario versus the Deep Targeting funding scenario. Any differences in Total Development Cost or total operating expenses and required reserve deposits between the two scenarios should be explained in the application.

Although the project unit mix may change with Deep Targeting funds, the total number of units in the project may not change. In putting together the unit mix under both scenarios, among the HOME-assisted units no more than four different rent AMI levels shall be used for each bedroom size.

Deep Targeting Rating Factors

If there are more requests for Deep Targeting funds than there are funds available, the available funds will be allocated to projects that rank high enough to be funded through the normal rating and ranking process (described in Section XXII below), and that also rate high enough on the Deep Targeting rating factors below:

i. The higher the percentage of HOME units restricted at or below 40 percent AMI, the more Deep Targeting points that will be awarded; and
ii. The lower the average rent expressed as a percentage of AMI, the more Deep Targeting points that will be awarded.

In evaluating the level of Deep Targeting for the award of points, projects will only be compared with other projects in counties with similar HOME income limits. Fifty percent of funds will be made available to projects in counties in which the HOME fifty percent area median income (AMI) limit for a household of four is below $35,400, and fifty percent of the funds will be made available to projects in counties whose HOME fifty percent area median income limit for a household of four is $35,400 or more. Unused funds in one group will be made available for the other group.

All Deep Targeting units must remain deeply targeted for a full 55-year affordability period, pursuant to a HOME regulatory agreement or a regulatory agreement held by another government financing agency.

If a project does not score high enough on the Deep Targeting factors to receive Deep Targeting funds, it will be evaluated for overall HOME rating purposes using the rents that are proposed at the regular maximum HOME funding level.

Please contact Christina DiFrancesco at (916) 322-0918 for assistance on Deep Targeting applications.

XI. ADMINISTRATIVE AND CHDO OPERATIONS FUNDS

The following limits apply to the amount of State Recipient administrative and CHDO Operations funds applicants may receive:

Projects:

A. State Recipient applicants receiving up to $1,000,000: up to $25,000 of administrative funds.
CHDO applicants receiving up to $1,000,000: up to $75,000 of CHDO Operations funds.

B. State Recipient applicants receiving $1,000,000 or more: up to $50,000 of administrative funds.
CHDO applicants receiving $1,000,000 or more: up to $100,000 of CHDO Operations funds.

Program Activities:

All program activities applicants may request up to 2.5 percent of the total application amount for Administrative funds (for State Recipient applicants) or CHDO Operations (for CHDO applicants).

Actual eligible expenses must be incurred to draw down these funds.

XII. ACTIVITY DELIVERY FUNDS (State Recipients only, except where noted)

Projects

Rental and homebuyer projects may receive up to $50,000 of the contract amount (loan and grant funds) for Activity Delivery costs ("Activity Delivery Funds"). Activity Delivery Funds are grants, and are not part of the project loan amount. Activity Delivery Funds may be used at the State Recipient's discretion to fund the Activity, Activity Delivery costs, or any combination of the two. See 24 C.F.R. 92.206 (d) (6) and 92.206 (f) (2) for a description of the types of expenses which may be charged to Activity Delivery. Activity Delivery, Administration, and CHDO Operations funds should not be included in the Development Budget since the development budget must reflect HOME loan amounts only, not HOME grant funds.

Programs

Except for TBRA activities (see Special Allowance below), state Standard Agreements (contracts) will automatically allow the use of up to the maximum amount of Activity Delivery funds for each specific activity. At the time of set-up, (i.e. when the HOME Recipient is ready to begin drawing activity funds), an Activity Delivery fund request may be made for actual expenses:

- Up to 24 percent of the HOME loan/grant amount for Owner-Occupied Rehabilitation.

- Up to 6.5 percent of the HOME construction financing amount for FTHB activities involving infill new construction. CHDO applicants may also receive up to this amount from CHDO Operations instead of Activity Delivery Costs for infill program activities. If HOME funds are used only for permanent financing, up to 6.5% of the permanent loan amount may instead be charged for Activity Delivery Costs.

- Up to 6.5 percent of the HOME loan/grant amount for all other activities.

Special Allowances for TBRA Programs

The HOME Final Rule does not allow the use of HOME Activity Delivery funds for TBRA activities. As a result, TBRA programs receive only the standard 2.5% Administration allowance. Recognizing the need for additional implementation funds, the Department provides TBRA applicants an additional 9.5% of the amount awarded for TBRA, up to an aggregate $200,000 limit for all funded TBRA activities.

XIII. FIRST TIME HOMEBUYER LOAN TERMS

Primary Loan Term Requirements Applicable to State Recipient and CHDO FTHB Loans:

Pursuant to the state HOME regulations, first-time homebuyers shall be required to obtain financing from primary lenders in addition to HOME financing. The amount of the HOME loan is limited to the minimum amount necessary as determined by a subsidy layering analysis and underwriting of the project. Loans from primary lenders shall comply with the following requirements:

a) The loan must have a minimum loan term of 30 years;
b) No temporary interest rate buy-downs are permitted; and
c) The loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, established by the 90-day "posted yield" for thirty year fixed rate loans, as established by Fannie Mae at http://efanniemae.com/syndicated/documents/mbs/apeprices/archives/cur30.html, plus 100 basis points. This means that loans that have an "interest-only" period are not eligible, even if they convert to a fully-amortized loan at some point in the loan term.

Additional State Recipient HOME Loan Terms:

Pursuant to state HOME regulation 8205(b), loans made by State Recipients assisting first-time homebuyers and homeowners whose homes are being rehabilitated shall bear simple interest rates ranging from 0 to 3 percent per annum. Interest and payments shall be deferred for the term of the loan. The State Recipient may forgive some or all of the accrued interest.

Additional CHDO HOME Loan Terms:

Except as otherwise provided by state HOME regulation Section 8206.1(c), (regarding CHDO qualification to retain loan repayments), the Department shall be the beneficiary on all HOME promissory notes and deeds of trust or HOME deed restriction documents.

Pursuant to state HOME regulation 8205(b), loans to first-time homebuyers financed from the CHDO set-aside shall bear a simple interest rate of 3 percent per annum, computed from the date the Deed of Trust is recorded on the property. Interest and payments shall be deferred for the term of the loan. Commencing on the 11th anniversary of the recordation date, an amount equal to 10 percent of the accrued interest shall be forgiven each year, so that on the 20th anniversary of the recordation date, all interest will have been forgiven if the borrower is in compliance with the requirements stated in the Department's loan documents.

XIV. ARTICLE XXXIV (Rental Projects only)

Article XXXIV of the California Constitution requires public entities to obtain voter approval before they "develop, construct or acquire a low-rent housing project." However, there are some exemptions to Article XXXIV. Health and Safety Code Section 37001 lists a number of project types that are not considered "low rent housing projects." The most typical exemption is subdivision (a)(1), which exempts projects that receive no property tax exemption, other than the welfare exemption, and in which no more than 49 percent of the units will be occupied by persons of low income.

Applicants must submit a legal opinion letter that analyzes the project's compliance with or exemption from Article XXXIV. The Article XXXIV opinion letter must demonstrate that the applicant has considered both the legal requirements of Article XXXIV and the relevant facts of the project (e.g., the public body lenders, the number of low income restricted units, and the general content of any regulatory restrictions). Any conclusion that a project is exempt from Article XXXIV must be supported by specific facts and a specific legal theory for exemption that itself is supported by the Constitution, statute, and/or case law.

If a project is subject to Article XXXIV, the letter must demonstrate that there is Article XXXIV authority for the project. This may be done by providing information from an appropriate local government official either that a referendum for the specific project has been passed by the voters, or that a blanket referendum has been passed and the locality has allocated sufficient Article XXXIV authority to the project. Applicants asserting that their proposed project complies with Article XXXIV because of the passage of a voter-approved referendum must provide a copy of the referendum and a certified vote tally along with their Article XXXIV letter. In this instance, the Article XXXIV letter must also provide information from the appropriate local government official regarding how many low-rent units are authorized under the referendum, and how many have been developed, constructed, or acquired to-date pursuant to that referendum so that the Department can determine if sufficient Article XXXIV authority exists for the proposed units.

For State Recipients, the Article XXXIV legal opinion letter must be from your local counsel. Since the Department is not the lender for State Recipient projects, the Department will generally defer to the local counsel's Article XXXIV determination as long as the Article XXXIV letter is a well-reasoned, thorough legal analysis of the facts and the law.

For CHDOs, the Article XXXIV legal opinion letter must be from the local government counsel where your project is located or from your own attorney, and must state the reasons why your project is exempt from or complies with Article

XXXIV. Since the Department is the lender in CHDO projects, the Department must agree with the legal opinions and conclusions in these letters in order for them to be acceptable.   Because of the detailed nature of the Department's regulatory agreements for HOME, the Joe Serna, Jr. Farmworker Housing Grant Program (Serna), and the Multifamily Housing Program (MHP), it is the Department's opinion that CHDO projects assisted by these programs are "developed" by the Department within the meaning of Article XXXIV.

For more information regarding Article XXXIV see NOFA Appendix B.

XV. MATCH REQUIREMENTS

All match requirements are waived for applications pursuant to this NOFA. However, all eligible HOME match that applicants will obtain due to their activity's need for other funding, shall continue to be reported in the project Set-up and Completion Reports so that the Department can bank any additional match and can continue to waive match. Such match sources include match derived from below-market rate loans, (even if these loans are not repaid to the HOME Local Account), State Low Income Housing Tax Credits, property tax waivers, bond financing, fee waivers, grants, and other sources. The Department will review all project Set-up and Completion Report forms to make sure that all reportable match has been included. See http://www.hcd.ca.gov/fa/home/ for a HOME match calculation tool (located under "Additional Resources"). The HOME Contract Management Manual also contains additional information and resources on Match. See http://www.hcd.ca.gov/fa/home/manual/14/.

XVI. TIME FRAMES FOR USE OF HOME FUNDS

Recipients of HOME funds are subject to progress deadlines and expenditure deadlines that are defined in the state and federal regulations and specified in the Standard Agreement.

Projects

If a project fails to meet one or more of the deadlines outlined in state HOME regulation Section 8217, the HOME applicant (City, County, or CHDO), as well as the project's developer, owner, and managing general partner may receive a performance penalty on the next project application in which they are involved. If a project fails to meet three or more deadlines, the HOME applicant shall be held out of future project funding rounds until that project is completed, occupancy is obtained, all expenditures are made, and all necessary HOME funds are drawn. The HOME applicant and the project's developer, owner, and managing general partner may also receive a performance penalty on the next project application in which they are involved.

State Recipients and CHDOs may also request that these holdout and point deduction penalties be waived when it is determined that the violation was clearly outside of the control of all of the following parties: the applicant, developer, owner, managing general partner. Contact State Recipient Projects Manager

Ferol Kimble, (916) 327- 8571, or CHDO Projects Manager, Laura Bateman, (916) 322-7556 if you think you will be needing a waiver of point penalties or the holdout penalty for missed project deadlines. In order to receive a decision on your waiver request before the HOME application deadline, please submit your written waiver request by July 29, 2011.

Note: no performance penalties will be assessed by the Department for failure to meet HOME deadlines as a result of heightened competition for tax credits in 2010. No waiver requested is needed if this is the only reason why HOME deadlines were missed. Waiver requests are still necessary for all other causes of delay, including inability to receive a tax credit/exchange allocation in 2009.

Program Activities

All program activity funds must be expended by the end of the 36th month following the award date. If awards are made in November 2011, the expenditure deadline will be November 30, 2014.

XVII. AFFORDABILITY REQUIREMENTS

A. Rental New Construction Activities

- All rental new construction housing projects shall have affordability periods of 55 years.

B. Rental Rehabilitation Activities

- All rental rehabilitation housing projects with acquisition shall have affordability periods of 55 years.

- Rehabilitation without Acquisition

Amount of HOME Assistance Per Unit	Minimum Period of Affordability
More than $40,000	20 years
$15,000 to $40,000	15 years
Less than 15,000	10 years

Rent levels shall be restricted for the periods of affordability set forth above at the lesser of the rent levels permitted pursuant to the federal HOME regulations, or other rent levels approved by the Department. (Generally speaking, the other rent levels approved by the Department would be lower rents that the applicant commits to in its HOME application.)

Exceptions to this requirement may be granted for units receiving HUD Section 8 or other similar rental assistance, or where the project's continued fiscal integrity is in jeopardy due to factors that could not be reasonably foreseen.

C. Homebuyer Activities

Homebuyer activities shall have minimum affordability periods of:

- 5 years for under $15,000 of HOME funds per unit;
- 10 years for $15,000 to $40,000 of HOME funds per unit; and
- 15 years for more than $40,000 of HOME funds per unit.

Homebuyer Recapture and Resale Requirements Applicable to State Recipients and CHDOs

Pursuant to federal HOME regulation 92.254 and state HOME regulation 8206.1 (b)(3), if the home is sold prior to the end of the affordability period, the HOME funds are subject to recapture (i.e., the HOME loan must be paid off when the home is sold). However, exceptions may be requested by State Recipients or CHDOs to provide HOME-assistance in the form of a resale loan for limited equity forms of ownership such as cooperatives and community land trusts. (i.e., the purchase price may be restricted with HOME funds staying available for the next borrower). See below under "Resale Loans" for more information.

Recapture Loans: Under this option, where the local jurisdiction or the CHDO is not imposing its own resale controls, the entire amount of the HOME loan may be recaptured by the local jurisdiction or by HCD in the case of CHDO loans. The amount of accrued interest recaptured may be reduced as permitted under the State HOME Regulations. However, pursuant to 24 CFR 92.254, when the recapture requirement is triggered by a sale (voluntary or involuntary) of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. The net proceeds are the sales price minus superior loan repayments (other than HOME funds) and any closing costs. HOME loans made under the recapture option may also be assumed by subsequent HOME-eligible purchasers.

Resale Loans: Although the HOME loan is generally not a resale loan, a State Recipient or CHDO may impose its own resale controls on a State Recipient or CHDO project when there is a source of subsidy other than State HOME funds. The source of subsidy need not necessarily be an actual loan; it may be in the form of an inclusionary housing ordinance which requires homes to sell below fair market value.

The city, county or CHDO must request advance State HOME Program approval of the resale agreement and HOME loan documents to ensure that all of these documents meet the requirements of the HOME Final Rule and the State HOME Program. Loans made under this option may be assumable by subsequent HOME eligible purchasers, even if the HOME loan is a recapture loan.

Pursuant to State Regulation 8206.1, HOME loans may be made in the form of resale loans on projects involving limited equity forms of ownership, such as community land trusts or cooperatives, when market conditions indicate that resale controls may be necessary to keep units affordable to subsequent purchasers, and when adequate protections of the State's financial interest in the project exist. However, resale HOME loans are not recommended, because if the loan must be repaid during the federal period of affordability, and the net proceeds are insufficient to repay the full HOME loan amount, the shortfall must be repaid to HUD.
The Department may impose additional procedures as necessary to expedite loan assumptions or new loan processing on loans made with CHDO set-aside funds.

Approval of the use of resale controls will be at the sole discretion of the Department. Please see Management Memo 04-01, available at the state HOME website at http://www.hcd.ca.gov/fa/home/mmemo/04-01.pdf for specific federal and state HOME requirements regarding the resale agreements.

D. Owner-Occupied Rehabilitation Activities

Owner-Occupied Rehabilitation activities have no affordability period. However, HOME funds must be provided as loans (except for relocation, lead paint remediation, administration and activity delivery costs). Therefore, the loan must be repaid if the home is no longer occupied by the owner.

XVIII. INCOME ELIGIBILITY

The State HOME Program uses the Part 5 (formerly known as Section 8) definition of low income (24 C.F.R. Part 813), and uses the Part 5 methodology in calculating the income of beneficiaries. **Please study the Income Calculation and Determination Guide for Federal Programs.**

XIX. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

All activities funded with HOME funds or HOME Program Income are required to comply with HOME's federal "overlay" requirements, including, but not limited to, compliance with requirements concerning the National Environmental Policy Act (NEPA), federal and state prevailing wage, relocation, Equal Opportunity and Fair Housing, Section 504 and the Americans with Disabilities Act, Section 3 (employment of low income persons), OMB Circular A-133 audit, and debarment. Failure to comply with federal overlays could result in significant cost increases to your project, rejection of your HOME application, or loss of points in current or future HOME funding rounds. Below is a brief discussion of overlay issues relevant to the application.

NEPA

Once you submit your HOME Application until issuance of the NEPA Authority to

Use Grant Funds (AUGF), the applicant and any participant in the development process must not take any "choice limiting actions. "

As a general rule, any action on the site or on behalf of the project by anyone is a choice limiting action if it occurs once you submit the HOME application, and before the Authority to Use Grant funds is issued. "Choice limiting actions" include the execution of any agreements (such as loan documents) for ANY funds (not just HOME funds), the purchase of the site, any construction loan closing (not just the HOME loan), any payment of local fees, or any site work (other than annual weed control) done by anyone.

Note however, that pursuant to NEPA regulations, certain activities are not considered choice limiting actions regardless of when they are carried out. These activities include, but are not limited to, such things as: environmental and other studies; resource identification and the development of plans and strategies; (e.g. submitting funding applications), inspections and testing for hazards or defects; purchase of insurance; payment of principal and interest on loans made or obligations guaranteed by HUD; and assistance for improvements that do not alter environmental conditions and are necessary only to control the effects from disasters or imminent threats to public safety. For more information on activities not considered choice limiting actions, see 24 CFR 58.34.

As a result of recent HUD guidance, which may soon be formalized by a forthcoming HUD publication, there are three acceptable forms of site control that avoid "choice-limiting" NEPA problems for new construction applications proposing vacant sites. For any application proposing a site with current tenants, including both new construction and rental rehabilitation projects, the third option (Purchase Agreements) may not be used because the General Information Notice required by the Uniform Relocation Act makes it clear that the use of federal funds is contemplated.

First, you may purchase the site or enter into a long-term lease consistent with the UMR requirements, prior to submitting the HOME application.

Second, you may obtain an Option to Purchase conditioned on the Responsible Entity's determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review, and the receipt of an "Authority to Use Grant Funds" from HCD for State Recipient projects and from HUD for CHDO projects. The cost to secure the site control document must also be a nominal portion of the purchase price. For more details on required and prohibited provisions of agreements consistent with NEPA, see CPD Notice 01-11.

Third, you may obtain a Purchase Agreement, Disposition and Development Agreement (DDA), Option to Lease, or Exclusive Right to Negotiate but this agreement must not be conditional on NEPA clearance. HUD's direction is that a Purchase Agreement or DDA is considered a choice limiting action even if executed prior to the submittal of the HOME application to HCD if the use of federal funds is contemplated. The mere presence of a NEPA clearance condition is considered contemplation that

federal funds will be used in the project. You are also cautioned to make sure that the Purchase Agreement or DDA is open-ended or is of sufficient duration that it does not need to be extended after the HOME application is submitted. HUD has ruled that if you let a Purchase Agreement/DDA expire after the HOME application is submitted, executing an extension would be a choice-limiting action (renewal prior to expiration is OK.) Also, please ensure that the Purchase Agreement/DDA has other contingencies such as a permanent financing contingency so that the seller cannot legally compel you to purchase the site prior to receiving the AUGF.

For all new construction projects and some rehabilitation projects, compliance with NEPA is evidenced by an executed Authority to Use Grant Funds. The AUGF is issued by HUD for CHDO projects, and by the Department for State Recipient projects. For the few rehabilitation projects not requiring an AUGF, State approval of the environmental documentation is still required prior to taking any choice limiting actions. See Chapter V of the HOME Contract Management Manual for a thorough explanation of the NEPA process.

The Department encourages starting the preparation of the NEPA Environmental Assessment (EA) as soon as possible, but no later than receipt of an award letter.

For rental projects, please make sure that the person preparing the Environmental Assessment has a copy of the HOME Project Report, as the report will frequently have conditions requiring additional analysis of environmental impacts.

If there are any questions regarding choice limiting actions, or the level of environmental clearance required of your program or project, contact your HOME Representative prior to taking any action concerning your proposed HOME program or project.

Federal Prevailing Wage Requirements (Davis-Bacon Wage Requirements)

Federal prevailing wages must be paid on projects involving site development, construction, and rehabilitation where there are 12 or more HOME-assisted units. Some projects, regardless of the number of units, are also subject to state prevailing wages.

The HOME applicant and the construction contractor must ensure that the Davis-Bacon Wage Requirements as well as state prevailing wage laws are followed. The Sources and Uses submitted with the HOME application will be examined to ensure that prevailing wage costs have been considered (federal and state, if applicable). CHDOs are required to hire an outside consultant to act as a Labor Standards Coordinator. If the State Recipient does not have the existing staff to enforce federal labor standards, then it is HIGHLY recommended that an outside labor consultant be hired.

In homebuyer self-help projects with 12 or more HOME-assisted units, Davis-Bacon wages may not be triggered if either of the following applies:

- Site development was completed before the application to HOME, the use of HOME funds was not contemplated when the site development was done, and there are no agreements or contracts for more than 11 HOME units. If the use of HOME was contemplated before the site development was completed, Davis-Bacon wages must be paid on the entire project; or

- If the self-help families purchase finished lots and contract individually with the General Contractor for construction of their homes, and there are no other construction contracts or subcontracts that cover more than one unit.

Relocation

Relocation costs must be paid if individuals or businesses will be temporarily or permanently displaced as a result of a HOME-assisted project. Specifically, federal relocation requirements extend back to the "initiation of negotiations". See the HOME Contract Management manual at
http://www.hcd.ca.gov/fa/home/manual/07/D01_RelocationChapterText%20Revised4-14-11.doc
for a discussion of relocation Notice requirements, and what constitutes the "initiation of negotiations." The determination of the Initiation of Negotiation requires a case specific analysis. The Department highly recommends consultation with HOME staff to determine the specific date for Initiation of Negotiations. This recommendation applies to all rental and first-time homebuyer projects involving any relocation activities. An accurate determination is critical, because relocation costs may be higher if an earlier "initiation of negotiations" date is necessary. Applications for tenant-occupied properties must have already provided the "General Information Notice" to all tenants by the date of the "initiation of negotiations."

The Sources and Uses submitted with the application must adequately budget for relocation costs. Contact your HOME Representative for guidance in estimating relocation costs. Consistent with federal relocation requirements prohibiting economic displacement, if rents for existing tenants will increase, you must budget for a transition reserve to maintain rents for existing tenants at the higher of 30% of their income at "Initiation of Negotiations" or the rent at the time of "Initiation of Negotiations", not including regular increases in expenses, for as long as they live in the project .

Homebuyer 90-Day Vacancy Rule - Relocation requirements will also be triggered if a first-time homebuyer proposes to purchase a home that has been occupied by a renter in the 90 days preceding the date of the purchase agreement. Exceptions to this rule can be made by HOME management on a case-by-case basis with adequate third-party documentation that the tenant moved for reasons unrelated to the sale of the property, i.e., the tenant is moving for another job.

Normally, relocation will not be triggered for OOR or TBRA programs. However, temporary relocation costs are an eligible HOME grant expense.

Procurement Requirements for State Recipients Using Administrative Subcontractors

Except for procurement of the NEPA consultant, which can be done using the small purchase procurement method (i.e., by use of informal price quotations), State Recipients using Administrative Subcontractors paid with HOME Funds must follow a competitive Request for Qualifications (RFQ) or Request for Proposals (RFP) procurement process to select the Administrative Subcontractor. See the HOME Contract Management Manual at: http://www.hcd.ca.gov/fa/home/manual/04/D01_Procurement_Chapter.doc for information on this procurement process.

XX. STATE RECIPIENT RENTAL PROJECT SET-UP AND LOAN DOCUMENT REQUIREMENTS

Pursuant to federal and State requirements, State Recipients may not close their construction loan, even if required to meet TCAC or CDLAC deadlines, without at least completing a limited project set-up process with the Department. Please plan to submit the set-up package at least 60 days, but preferably 90 days, prior to the desired closing deadline to allow enough time for this process.

State Recipients, using funds made available from this NOFA or from Program Income, will be the lender for rental projects, and therefore, as such, must adequately secure the repayment of HOME funds and compliance with HOME affordability requirements through the use of a promissory note secured by a deed of trust and a regulatory agreement. The deed of trust and the regulatory agreement must be recorded on the project property. If security for repayment of HOME funds is a leasehold, the owner of the fee either must permit recordation of the HOME deed of trust and regulatory agreement on the fee, or the fee owner must enter into a lease rider providing appropriate lender protections to the State Recipient. The lease must also comply with the requirements of UMR section 8316. In addition, if HOME funds will be used for construction, the State Recipient and borrower should execute a development agreement clearly setting forth the terms and conditions of disbursement of HOME funds. The State Recipient is responsible to ensure continued compliance with all HOME requirements, and if the project should ever fail, is responsible to repay the Department all HOME funds.

XXI. STATE RECIPIENT OMB A-133 AUDIT DOCUMENTATION

Local governments that expend in excess of $500,000 in federal funds during the fiscal year are required to submit an OMB A-133 Single Audit Report package to the Federal Clearinghouse and to the California State Controller's Office. The 2009-10 audit package was due by March 31, 2011.

The Department will make its determination on the status of A-133 Audit compliance as of August 16, 2011 by consultation with the California State Controller's Office (SCO) and, if necessary, individual State Recipients. Jurisdictions that are exempt from filing an A-133 Audit may also submit with their HOME application a copy of the letter written to SCO notifying them that the jurisdiction is exempt. See http://sco.ca.gov/aud_exempt_entities.html for more information on the required content of this letter.

You may check your jurisdiction's OMB A-133 compliance status at: http://sco.ca.gov/Files-AUD/SingleAud/statusreport.pdf.

Questions regarding compliance with the submittal requirements of OMB A-133 can be directed to Nicole McCay, for program-activity applications at pmccay@hcd.ca.gov, or Ferol Kimble, State Recipient Projects Manager, for project applications, at fkimble@hcd.ca.gov. The Department will only answer the question of whether you are in compliance according to SCO's A-133 Status Report. Technical questions related to why you are deemed not in compliance must be directed to SCO.

XXII. APPLICATION EVALUATION

A. Rating and Ranking

The Department will rate, rank and fund applications based on its review of all eligible activities for which funds are requested in an application. The application must be submitted using the form provided by the Department. The form must contain all information required pursuant to Section 8211(c), (d), and (e).

All scores for projects are subject to the appeal process described in Section III. The reporting scores only for programs is subject to the appeal process also described in Section III.

Note: Each project or combination of program activities will be evaluated and ranked separately.

If at the time the HOME rating and ranking process is underway an application has been submitted for the same project for any other Department financing source and is being evaluated by that program, HOME will count that financing as committed for rating purposes. Please consult with other Department programs regarding when they will count HOME financing as committed. HCD requires there be full disclosure in each HCD application of all pending and proposed applications for other HCD applications for the same project regardless of who is applying for funding (e.g. city, county, developer, sponsor, etc.)

Pursuant to Section 8212 (d) (5) of the state HOME regulations, project applications must receive a minimum score of 930 points to be funded. Applications will be funded in descending order. Applications that qualify for CHDO and rural set-asides will be funded first based on their scores. Once the set-asides have been achieved, all remaining applications will be funded within their respective allocations pursuant to 8212.1 based on their scores relative to all other applications with the highest scoring application funded first.

In the case of a tie score, the application demonstrating the highest jurisdictional poverty level will be funded first. Final funding decisions will be made by the Division of Financial Assistance Deputy Director. The decision of the Deputy Director is final.

B. Minimum Requirements**:** Applications for the HOME Program are not considered for funding unless the application demonstrates that the following minimum requirements have been met pursuant to Section 8212 of the HOME regulations:

1. The application was received by the deadline specified in this NOFA;

2. The applicant is eligible pursuant to Sections 8204, 8204.1(c) and Appendix A of the NOFA;

3. The applicant proposes at least one eligible activity pursuant to Section 8205 (other than administration);

4 The use of funds is eligible per Sections 8205 and 8210(c);

5. The application is complete pursuant to Section 8211(b);

6. The applicant has no unresolved audit findings pursuant to Section 8204(a) (1) (D) (ii) and (2) (C) (i);

7. The applicant has provided documentation satisfactory to the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Act pursuant to Sections 8204(a)(1)(D)(iv) and (2)(C)(iii). See Section XXI of the NOFA for more information;

8. The applicant and any member of its program or project team is not on the list of debarred Contractors pursuant to Sections 8204 (a) (1) (D) (iii) and (2) (C) (ii);

9. The total amount of funds requested for both administration and activity-specific costs does not exceed the limits identified in the NOFA;

10. The application form provided by the Department has not been altered or modified except to accommodate computer software; and

11. CHDO applications must contain procedures for ensuring effective project control pursuant to 24 CR 92.300(a) (1) and State HOME Regulation 8204 (a) (2) (D).

In addition, project applications must demonstrate:

1. The project is financially feasible. Pursuant to Section 8212(a) (6) of the state HOME regulations, the Department must determine the project is financially feasible to consider it for funding. Site development issues, local government approvals, development costs, project timing, project market, and other development factors will be evaluated in order to make this determination. Projects may not be deemed feasible if information presented in the application results in unknown or uncertain project costs and/or timelines; therefore, the Sources and Uses form must contain line items for any project costs related to determining the feasibility of the project, including but not limited to, prevailing wages, environmental remediation, (including mitigation of any Recognized Environmental Conditions and other environmental hazards), elevation above a flood plain, and relocation. Applicants proposing projects on sites that were formerly orchards and/or vineyards may be required to submit an analysis of soil testing for pesticides remaining in the soil. It is recommended this testing be performed prior to submitting the HOME application so the applicant can determine whether pesticide remediation is required and include the cost for such remediation in the development budget.

2. The project has site control pursuant to Section 8303 of the Uniform Multifamily Regulations. (Note: projects must also meet HUD requirements regarding acceptable forms of site control. See Section XIX of the NOFA for more information.)

3. There is no pending litigation that could affect implementation of the project, as proposed; and

4. For rental projects, that the project either complies with or is exempt from Article XXXIV of the California Constitution pursuant to 8212(a) (7). See Section XIV of the NOFA for more information on Article XXXIV.

C. Rental and FTHB Project Application Rating Factors:

Activity	**Maximum Points Available**
Rental New Construction*	1700
Rental Rehabilitation*	1700
First-Time Homebuyer Projects	1550

*Please see the HOME Supplement for detailed self-scoring checklists for the Rental New Construction and Rental Rehabilitation applications.

Detailed Rental New Construction and Rental Rehabilitation scoring is shown in the following table:

Factor	Sub-factor (if any)	Points
Housing Element: The local public entity's adopted housing element is in substantive compliance with State Housing Element Law as of August 16, 2011, the application due date, as defined at Section 8201(s) of the state HOME regulations. Newly formed cities not required to be in compliance and CHDOs shall receive full points in this category. See Management Memo 10-02 for more information.		50
Direct HOME Allocation Declined: Activities proposed within a jurisdiction eligible for a direct HOME allocation from the U.S. Department of Housing and Urban Development (HUD) wherein the jurisdiction declined the allocation to preserve eligibility for this NOFA.		50
Activities proposed in a rural community.		50
Prior applicant experience in the implementation of local, state or federal affordable housing or community development projects in the last seven years (calendar years 2004 – 2010 and 2011 until the application deadline).		50
Prior development team experience in developing the same type of subsidized project as proposed in the application in the last five years (calendar years 2006 – 2010 and 2011 until the application deadline).		200
Prior performance of the applicant, developer, owner, and managing general partner (if the project has one) in all HOME project contracts (rental and FTHB) which were awarded between June 1, 2006 – May 31, 2011.	**Performance Factor #1**: Missed project deadlines of the applicant, developer, owner, and managing general partner, for deadlines occurring by the HOME application deadline of August 16, 2011. Points will be deducted for missed deadlines as follows: 5 points for the Permanent Financing deadline, 10 points for the Project Set-up deadline, 10 points for the Construction Loan Closing Deadline, 80 points for the Completion Deadline, and 20 points for the Expenditure Deadline. See Note 1 for possible credits.	Maximum deduction of 200 points
	Performance Factor #2: Late reports of the applicant. Up to 50 points may be deducted for late reports due between June 1, 2010 – May 31, 2011, and for the Annual Performance Report due in 2011.	Maximum deduction of 50 points
	Performance Factor #3: Up to 200 points will be deducted if applicants, developers, owners, and managing general partners, between June 1, 2006 – May 31, 2011, have made a material misrepresentation of any requirement or fact in an application, project	Maximum deduction of 200 points

Factor	Sub-factor (if any)	Points
	report or other document submitted to the Department including but not limited to that which jeopardizes the Department's investment in a project or places the Department at risk of a monitoring finding, The Department will notify the relevant party of the proposed penalty by June 15, 2011 – this notification will also allow an appeal to be submitted.	
	Performance Factor #4: Noncompliance with monitoring Requirements identified in the last five years (i.e. June 1, 2006 – May 31, 2011). There are two distinct sub-categories: First, applicants, owners, and managing general partners who have not complied with monitoring requirements identified by the Department in the last five years will lose up to 100 points. The Department will notify the relevant party of the proposed penalty by June 15, 2011 – this notification will also allow an appeal to be submitted. Second, points will also be deducted for the following late reports associated with occupied HOME rental projects (the Department will calculate these deductions only for applicants, owners, and managing general partners involved in 2011 project applications so advance notice will not be provided on the status of these reports.) State Recipients • 10 points will be deducted for each late Annual Monitoring Report due to the Department June 1, 2010 – May 31, 2011 CHDOs • 5 points will be deducted for each late Annual Operating Budget and each late Annual Report due to the Department June 1, 2010 – May 31, 2011.	Maximum deduction of 100 points

Factor	Sub-factor (if any)	Points
All Applicants start with 200 points. Performance Points noted immediately above are **deductions** from these points. The maximum point deduction for Performance is 200 points.		200
Community Need: see Appendix H of this NOFA for Community Need point scoring by activity type**.** http://www.hcd.ca.gov/fa/home/2011NOFA.html.		450
Project Feasibility	Compliance with State and Federal Requirements (including UMRs for rental projects)	175
	Highest percentage of HOME-assisted units	25
Project Readiness	For detailed Project Readiness factors for rental projects, please see the HOME Supplement (p. 52 for rental new construction projects, and p. 61 for rental rehabilitation projects). For homebuyer projects, please see p. 12 of the Homebuyer Project Application (Part B). **Rating points for Project Readiness items will be assigned if the item has been submitted and the item has been prepared within the timeframes specified in the HOME Supplement. Points will no longer be deducted for the content of these items. The content of the items will be reviewed to make a feasibility determination for the applications scoring highly enough to be funded.**	300
State Objectives (no more 150 points total) – Rental Projects Only	**Deeper Affordability: up to 50 points will be awarded based on the percentage of all units (HOME and non-HOME) at or below the Low HOME rent level (50% AMI). At initial occupancy, household income levels must be restricted at the same AMI level as the proposed rent level for each unit. In projects with renewable project-based rental assistance, rents will be determined based on the amount of the tenant-paid portion of the rent, and the rental subsidy program regulations must require that tenant incomes at initial occupancy be no more than 50% AMI. State Objective rent levels will be restricted for the entire HOME**	50

Factor	Sub-factor (if any)	Points
State Objectives (continued)	**affordability period. The manager's unit will be excluded from this calculation.** **See State Objectives Table 1 for how scores will be assigned.**	
	100% Percent Financing Committed or Noncompetitive: **50 points will be awarded for projects that have 100 percent of their non-State HOME permanent financing committed by August 16, 2011. All permanent financing commitment letters must be included with the HOME application (Exhibit 9), and must meet the terms for financing commitments set forth in the HOME Supplement. A project proposing noncompetitive federal 4% tax credits, HOME and other fully committed permanent financing sources is eligible for these points provided that evidence satisfactory to the Department is provided that bond proceeds will be available for this project.**	50
	Geographic Diversity/Fair Housing Choice: to encourage the wide distribution of HOME funds and the use of HOME funds in communities with fewer affordable housing choices, up to 50 points will be awarded based on the number of affordable rental housing projects awarded HOME, tax credit, or other HCD funding from January 1, 2006 through August 15, 2011, as shown in State Objectives Table 2 below.	50
	Special Needs Populations: 50 points will be awarded to rental projects that are proposing to target special needs populations through the use of any of the following financing sources: HUD 202, HUD 811, HUD Supportive Housing Program, State Mental Health Services Act (MHSA), or MHP funds For applicants wishing to claim these points, the Department will look at your proposed development sources, and	50

Factor	Sub-factor (if any)	Points
State Objectives (continued)	**consult with other programs if necessary to verify that the terms of this State Objective have been met. Points for this State Objective will be awarded as shown in State Objectives Table 3 below.**	
TOTAL POINTS FOR RENTAL PROJECTS		1700
TOTAL POINTS FOR FTHB PROJECTS		1550

Note 1 regarding **Performance Factor #1**

A. Credit for good performance on the same project with missed deadlines

The deducted points for each specific project will be restored if all of the following events have occurred by the application due date for the same project:

- the project has been completed, i.e. the Notice of Completion has been filed in the Recorder's Office
- the Project Completion Report, showing that all HOME units are occupied, has been received by the Department, and
- all HOME funds were expended by the original expenditure deadline in the Standard Agreement.

B. Credit for other completed HOME projects

Further, points will be partially restored to the extent there are other completed HOME projects involving the applicant, developer, owner, or managing general partner, awarded between June 1, 2006 – May 31, 2011. Points will be restored by subtracting the number resulting from the following calculation from the number of points deducted for missed milestones:

The amount of points deducted for missed project deadlines will be multiplied times the number 1 minus the fraction resulting from dividing the number of projects with missed milestones by the number of all completed HOME projects, which were awarded HOME funds between June 1, 2006 – May 31, 2011.

For example:

One of a developer's three HOME projects awarded in this timeframe missed the Completion Deadline, resulting in a 80 point deduction.

The other two HOME projects are completed.

- The proportion of projects with missed milestones relative to all completed projects is one divided by three or 0.33

- The number 1 minus 0.33 is 0.67.

- Therefore, the 80 point deduction times 0.67 equals a 53 point restoration.

- Finally, the 80 point deduction less the 53 point restoration equals a 27 point final point deduction for missed milestones.

C. Special Rules

- Pursuant to Section 8217, Applicants who disencumbered a project contract between June 1, 2006 – May 31, 2011 and their developers, owners, and managing general partners, (if any), for these projects will still receive point deductions according to the above schedule for the deadlines the project did not meet before the contract was disencumbered.

- Point Deductions for Projects Subject to the Hold-Out Penalty (HOME Regulation 8217(b) (3)) Certain applicants that have not received a waiver of the holdout penalty pursuant to 8217 (c) may now be eligible to apply because the project in question meets a specific performance standard identified in the State Regulations. This requirement is the project has been completed, occupied, all funds have been expended, and all necessary HOME funds have been drawn pursuant to 8217 (B) (3) (A). These applicants are still subject to a performance penalty of up to 50 points on their next HOME application following the holdout penalty, along with the project's developer, owner, and managing general partner pursuant to 8217 (B) (3) (B).

State Objectives Table 1 (Deeper Affordability):

Percent of Units at or below 50% AMI	Point Score
100 percent	50
90-99 percent	40
80-89 percent	30
70-79 percent	20
60-69 percent	10
Below 60 percent	0

State Objectives Table 2 (Geographic Diversity/Fair Housing Choice)

Number of Projects in the Jurisdiction or for unincorporated counties, the Census Tract	Point Score
0	50
1	15
2 or more	0

State Objectives Table 3 (Special Needs Populations)

% of Units Designated by the Funding Source as Special Needs Units	Point Score
100%	**50**
99%-70%	**40**
69%-50%	**30**
49%-30%	**20**
29% or less	**10**

<u>Program Activity Rating Factors</u> (Total Points Available = 1050)

Factor	Sub-factor (if any)	Points
Housing Element: The local public entity's adopted housing element is in substantive compliance with State Housing Element Law as of August 16, 2011, the application due date, as defined at Section 8201(s) of the state HOME regulations. Newly formed cities not required to be in compliance and CHDOs shall receive full points in this category. See Management Memo 10-02 for more information.		50
Direct HOME Allocation Declined: Activities proposed within a jurisdiction eligible for a direct HOME allocation from the U.S. Department of Housing and Urban Development (HUD) wherein the jurisdiction declined the allocation to preserve eligibility for this NOFA.		50
Activities proposed in a rural community.		50
Prior experience of the applicant in administering HOME and/or other local, state or federal affordable housing or community development programs in the last seven years (calendar years 2004 – 2010 and 2011 until the application deadline).		100
Prior performance of the applicant	**Performance Factor #1:** Up to 50 points will be deducted for late or missing reports. In assigning these points, the Department will review the applicant's history of submitting quarterly reports and program income reports (for contracts numbered 08-HOME through 10-HOME), and Annual Performance reports (for FY 08-09, 09-10, and 10-11.)	Maximum deduction of 50 points
	Performance Factor #2: Up to 100 points will be deducted for noncompliance with	Maximum deduction of

Factor	Sub-factor (if any)	Points
	monitoring or contract requirements identified in the last five years (i.e. June 1, 2004 – May 31, 2011).	100 points
All Applicants start with 150 points; Performance Points are **deductions** from these points. The maximum point deduction for Performance is 150 points.		150
Community Need: see Appendix H of this NOFA for Community Need point scoring by activity type**.** http://www.hcd.ca.gov/fa/home/2011NOFA.html.		450
Project Feasibility	Extent Program Guideline reflect federal and state requirements	25
	Activity-specific criterion as specified: • FTHB programs: number of units that have sold in the city or county over the preceding 12-month period and are affordable to lower income families, given the proposed HOME assistance. • Owner-Occupied Rehabilitation programs: number of overcrowded households by tenure and the age of the housing stock by tenure, in the city or county as reflected in U.S. Census data. • TBRA Programs: overpayment by renter households as reflected in U.S. Census data.	75
State Objectives (100 points total) – Rental Projects Only	100 points will be awarded to jurisdictions that applied for but did not receive HOME program activity funding in 2010 if the Department determines that the application was eligible, but that the application could not be funded because the score was below the funding cut-off. The jurisdiction is not required to apply for the same activity(s) in 2011 that was applied for in 2010.	100
TOTAL POINTS FOR PROGRAM		1050

2011 HOME NOFA and APPLICATION WORKSHOPS

Applicants for HOME Funds are encouraged to attend the applicable workshops because information that is critical for preparing a competitive application will be discussed at the workshops. If you are planning to attend, please send the attached registration form to the HOME program no later than the registration deadlines shown on the registration form for each workshop. No confirmations will be sent. If you would like directions or have questions regarding any of these workshops please contact the general HOME number (916-322-0356) or your HOME Representative.

Rental Project Workshop:

This workshop will cover Rental New Construction and Rental Rehabilitation with or without Acquisition Projects only. Applicants interested in submitting a First-Time Homebuyer project application will receive NOFA training by conference call; please contact the HOME program to request this training.

June 15, 2011 **9:00 AM— 4:00 PM**
Rancho Cordova City Hall 2729 Prospect Park Drive Rancho Cordova, CA 95670 American River Room North

Program Activity Workshops:

These workshops will cover First-Time Homebuyer, Tenant Based Rental Assistance, and Owner-Occupied Rehabilitation Program Activities.

Date/Times	Location
Thursday **June 9, 2011** 10:00 AM – 4:00 PM	Community Center City of West Sacramento 1075 West Capitol Avenue West Sacramento, CA 95691
Tuesday **June 14, 2011** 10:00 AM - 4:00 PM	Coachella Community Center at Bagdouma Park 51-723 Douma Street Coachella, CA 92236
Thursday **June 16, 2011** 10:00 AM - 4:00 PM	Canyon Room, Santa Clarita Activities Center 20880 Center Pointe Parkway Santa Clarita, CA 91350
Tuesday **June 28, 2011** 10:00 AM - 4:00 PM	Economic Development Division County of Humboldt 520 E Street Eureka, CA 95501
Thursday **June 30, 2011** 10:00 AM - 400 PM	EOC Room, Clovis Police and Fire Headquarters 1233 Fifth Street Clovis, CA 93612

State of California HOME Program
2011 Notice of Funding Availability (NOFA)
Training Workshops for Rental Project and Program Activities

To help insure we have adequate seating available**,** please complete and forward this registration form by the registration deadline noted below for the particular workshop you wish to attend. If you are registering for both a program-activities workshop and the rental project workshop, return this form by the earlier registration deadline.

Fax this form to (916) 322-2904.
No fax cover page is necessary.
ONE individual per registration form.

Participant's Name: ______________________________

Organization Name: ______________________________

Mailing Address: ______________________________

Email Address: ______________________________

Telephone Number: (______)______________________________

FAX Number: (______)______________________________

If you are a consultant, which HOME Recipients are you are currently working with:

If you are a developer, which communities are you considering for a HOME project:

A. Please indicate if you plan to attend the Rental Project Workshop.

Date	Location	Registration Deadline	Planning to Attend
June 15, 2011	Rancho Cordova	June 10, 2011	☐

B. Please choose the Program Activities NOFA Workshop Training date and location you wish to attend.

	Location	Registration Deadline	Planning to Attend
June 9, 2011	West Sacramento	June 7, 2011	☐
June 14, 2011	Coachella	June 9, 2011	☐
June 16, 2011	Santa Clarita	June 9, 2011	☐
June 28, 2011	Eureka	June 23, 2011	☐
June 30, 2011	Clovis	June 24, 2011	☐